Fidelity INVESTMENTS

Smart move.

FALL 2006

Connect

WITH YOUR FINANCIAL FUTURE.

FIVE SMART MOVES TO
Make the most of your retirement savings

Most of us expect to enjoy retirement, but a new study shows that many people have only modest savings and underestimate the income they'll need.*

Whether your retirement is around the corner or far off, these five steps can help you save for a secure future.

PARTICIPATE. Putting money away on a tax-deferred basis in your workplace savings plan or another savings vehicle can be a good way to create a nest egg. Automatic paycheck withdrawals make it easy to build in discipline.

CONTRIBUTE. You've heard it before: pay yourself first. Make saving a priority, and increase contributions as your earnings increase.

ALLOCATE. How you divide your savings among different investments—like stocks and bonds—is a crucial component of success. To identify the right mix for you, consider your personal goals, investment time frame, and risk tolerance.

STAY ON TRACK. Life changes, as do the markets. So stay involved in the investment process. To get the information you need:

- Review your statements.
- Log on to **www.fidelity.com/atwork** and click on the Investing tab.
- Ask your Fidelity representative.

INCOME PLAN. When you retire, your savings become your income stream. You'll want a withdrawal plan that

- Doesn't take out too much or too little
- Considers tax ramifications
- Protects against inflation.

Retirement questions? Call Fidelity at **800-343-0860** or your employer's toll-free number. ■

* *2006 Retirement Confidence Survey,* Employee Benefit Research Institute

GETTY IMAGES

Percent of retirees who say they underestimated retirement expenses: 43%[1]

SOCIAL SECURITY IN YOUR RETIREMENT PLAN

If you're contributing to Social Security, you will most likely be eligible for retirement benefits someday. Here are three things to keep in mind:

1. Social Security was designed to be a modest safety net for the elderly poor, not a means to a comfortable retirement.

2. Social Security benefits should make up only one part of your income plan. According to the Social Security Administration, an average of 39% of a retiree's income comes from Social Security.

3. Social Security is not a given. It is often in the news as legislators debate the future of the benefits system.

> For more information on Social Security, or to request a statement that estimates your benefits, call **800-772-1213** or log on to **www.ssa.gov**.

[1] Source: McKinsey 2006 Consumer Retirement Survey

One Fund for **a Lifetime**

Fidelity's Freedom Funds are "lifecycle funds" designed to meet the changing needs of investors. You simply select the fund with a target date closest to when you want to retire. The fund managers invest in an appropriate, diversified variety of Fidelity mutual funds—so each Freedom Fund is literally a "fund of funds." And Freedom Funds follow a systematic plan for adjusting future asset allocation.

Over time, the funds that initially have a higher concentration of stocks shift to more conservative investments to provide income. After the fund reaches the target year, its managers make adjustments to help protect against market changes and inflation risk.

Freedom Funds have many pluses:

- **Experience.** Fidelity was one of the first to launch lifecycle funds.
- **Diversification.** Asset allocation adjusts automatically.
- **Ease.** You monitor only one fund.

Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus. Read it carefully before you invest.

It is your responsibility to select and monitor your investments to make sure they continue to reflect your financial situation, risk tolerance, and time horizon. Most investment professionals suggest that you reexamine your investment strategy at least annually or when your situation changes. In addition, you may want to consult an investment adviser regarding your specific situation.

Finance 101 for Your Children

Deluxe backpack: $52. Sneakers: $55. Back-to-school shopping presents an opportunity to teach your children some crucial financial lessons. Sit down with them to make a list of necessities, then agree on a budget. That way, they learn that the amount of money available is not unlimited and that when a budgeted amount of money is gone, it's gone.

This is also a great time to introduce kids to the concept of saving for "extras" that don't fit the budget. If they want that MP3 player, help them save for it and point out how their savings can grow over time. Teaching them how to make both a saving plan and a spending plan, and then to stop when the budget runs out, is a giant step toward helping them learn the value of money.

Rick Kahler, a financial planner in Rapid City, S.D., says letting your kids experience some pain around money choices is not being hard-hearted. "Ideally, parents give the gift of responsibility while the consequences are minor," he says. "Financial lessons not learned at a young age just end up becoming more expensive as we grow older."

Making those choices is the foundation of sound money management. To help your kids, take these steps:

- Talk with them about money.
- Insist they be responsible for certain expenses if they get an allowance.
- Model good behavior, like giving part of your money to a cause you believe in and not running up charge cards beyond your means.
- Set saving and spending goals.

> Good money management can pay off in extra contributions to your workplace retirement savings account. See how fast they can add up with the Fidelity Contribution Calculator. Try it by visiting **www.fidelity.com/atwork** and selecting the Tools & Calculators tab.

Time's on Your Side with
the Benefits of Compounding

When Albert Einstein was asked what he considered the greatest force in the universe, he is reported to have replied, "Compound interest." But it doesn't take a genius to recognize that the power of compounding is one of your biggest allies in your quest for retirement security.

Compounding happens when the money you save pays interest, dividends, or capital gains and you reinvest those earnings—it's earning interest on your interest.

Let's say you invest $1,000 and earn 5% the first year, making your initial investment worth $1,050. If you leave that $50 in your account, your earnings the second year are based on $1,050. So if your return holds steady at 5%, you will earn $52.50 in year two, and so on.

Time gives compounding its power. The earlier you begin to save, the more potential for your investment to benefit from compound growth.

> If you have savings in plans from previous employers, consider simplifying tracking your investments by consolidating all your plans at Fidelity. Find out how easy this can be by calling **800-343-0860** or your employer's toll-free number.

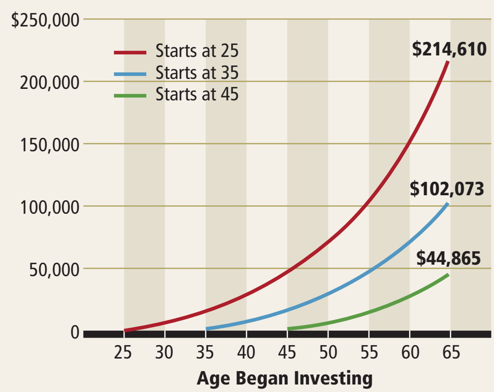
Just how fast can your savings grow? Maybe you've heard of the "Rule of 72," a calculation that enables you to figure out in a snap how many years it'll take you to double your money. Simply divide 72 by your expected rate of return. So if you invest $2,000 this year, and expect an 8% return, your account will grow to $4,000 in 9 years (72÷8=9). The calculation, which assumes interest is compounded annually, is remarkably accurate, as long as the rate of return is lower than 20%.

To maximize the power of compounding:

- Start saving early.
- Increase your contributions over time.
- When you change jobs, don't cash out your workplace savings plan.

THE POWER OF COMPOUNDING

This chart shows the effect of compounding on results achieved by three investors, each investing $1,000 at different ages.



This hypothetical example is based on monthly contributions made at the beginning of the month to a tax-deferred retirement plan, and a 7% annual rate of return compounded monthly. Your own plan account may earn more or less than this example, and income taxes will be due when you withdraw from the account. Investing in this manner does not ensure a profit or guarantee against loss in declining markets. Source: Investment Company Institute Education Foundation

5 Tips for Better Retirement Income Security

According to a recent study, nearly six in 10 American workers have yet to figure out what their budget will be when it comes to retirement.[1]

To help avoid unpleasant surprises, consider these steps:

1. FIGURE THE COST. Fidelity's rule of thumb is to count on replacing at least 85% of your preretirement income, given longer life expectancies and increasing health care costs.

2. IDENTIFY YOUR SOURCES OF INCOME. Social Security, pensions, workplace savings plans, IRAs, and real estate will all play a part of your retirement income.

3. ONCE YOU'VE FIGURED OUT HOW MUCH YOU WILL NEED, determine how much you should save to reach that goal. Take into account how much time you have left before you retire and how fast your retirement savings might grow. Take maximum advantage of workplace savings plans and other retirement savings vehicles. A reasonable goal is to put away 10% to 15% of your gross income, but every little bit helps.

4. GET PROFESSIONAL ADVICE. A professional can tailor advice to your situation.

5. VISUALIZE RETIREMENT. Experts say it is better to "retire to" than to "retire from." So think about what you want to do in retirement. ■

1. Source: 2006 Retirement Confidence Survey, Employee Benefit Research Institute

UNDERSTANDING THE MARKET UPS AND DOWNS

The word "volatility" has a negative connotation, but market volatility is completely normal. The following steps can help you focus on long-term goals:

- **Revisit your asset allocation periodically.** The challenge of investing is to manage risk so you get the results you want and can still sleep at night.
- **Think first.** Volatility can inspire fear and greed, two negative drivers of investor behavior. Base your decisions on information and market insight.
- **Don't try to time the market.** Gains can occur in a few strong, but unpredictable, trading days. To benefit, you need to be in the market.
- **Dollar-cost average.*** Investing a fixed amount at regular intervals can result in a better average share price than trying to time your purchases. Retirement savings plans already take advantage of dollar-cost averaging. ■

*Dollar-cost averaging does not ensure a profit or guarantee against loss in declining markets. For the strategy to be effective, you must continue to purchase shares both in market ups and downs.

> *CONNECT* WANTS TO HEAR FROM YOU

Tell us how you are planning and saving for retirement, and we may share your story in a future edition of *Connect*! E-mail us today at **Connect@fmr.com**.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

The information provided in this newsletter is general in nature and should not be considered legal, tax, or investment advice. Consult with an attorney or a tax or investment professional to discuss your specific situation.

Fidelity Investments Institutional Services Company, Inc.
82 Devonshire Street, Boston MA 02109

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